

Item BCS-101

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Central Illinois Light Company

ICC Docket No. 02-0167

Response to Staff Data Request BCS-101 through BCS-122

Item BCS-101: Describe with specificity how the actions undertaken by the Company comply with each of the four prudence standards contained in the Commission's Order in Docket Nos. 91-0080 through 91-0095 (Consolidated).

Response: Please refer to Mandy Stephenson's Direct Testimony as submitted in part to ICC Docket No. 02-0167 relating to question and answer to question 22 beginning on page 11, lines 192 through 209.

Prepared by: Mandy Stephenson, Gas Operations Administrator
(309) 677-5333

OFFICIAL FILE

ILL. C. C. DOCKET NO. 02-0167CILCO Exhibit No. 4.0

Witness _____

Date 8/22/02 Reporter CB

Central Illinois Light Company

ICC Docket No. 02-0167

Response to Staff Data Request BCS-101 through BCS-122

- Item BCS-102:** This request pertains to the level of environmental cleanup required at each MGP site.
- a. For each MGP site, describe the level of environmental cleanup required.
 - b. List the steps that must be taken to obtain the level of environmental cleanup required.
 - c. Explain and evaluate any alternative levels of environmental cleanup that may be applicable for each site.

Response: A. Environmental clean-up required at the MacArthur Boulevard site in Springfield, Illinois during the major remediation phase was described in testimony by Kathleen A. Lockenvitz, Docket No. 94-0135 pages 4-17, beginning at line 9, page 4. In 2001, CILCO continued to monitor the groundwater and a maintenance plan was developed for the site. See also the response to Data Request BCS-103 for information about the NFR letter for the MacArthur Site.

CILCO received a site remediation letter ("NFR") indicating that no further remediation is required at its Persimmon Street site in Peoria. A copy of that letter was enclosed as CILCO Attachment 1 in testimony by Jan Swanson, Environmental Program Administrator in Docket No. 99-0336 SDR-003

Level of clean-up at Front Street, Pekin, Illinois; and First and Washington Streets, Springfield, Illinois have not yet been defined. Both of these sites pose no immediate threat to human health or the environment as verified by Phase I investigations.

- B. The clean-up activity for the Pekin, Illinois site will be based upon the findings of the site assessment that is currently in progress.
- C. Evaluation of alternative clean-up levels are based on future site use, the risk assessment of contamination on-site, given clean-up

objectives and environmental regulations and guidance documents used by the Illinois Environmental Protection Agency. The evaluation would consider the least-cost consistent with a remediation process that will permanently resolve the problem without causing undue risk during the process.

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Response to Staff Data Request BCS-101 through BCS-122

Item BCS-103: Has the Company ever received a site remediation letter from the Illinois Environmental Protection Agency indicating that no further remediation is required at a specific MGP site. If yes, provide a copy of each site remediation letter received.

Response: CILCO received a site remediation letter ("NFR") indicating that no further remediation is required at its Persimmon Street site in Peoria. A copy of that letter was enclosed as CILCO Attachment 1 in testimony by Jan Swanson, Environmental Program Administrator in Docket No. 99-0336 SDR-003.

CILCO received a site remediation letter ("NFR") indicating that no further remediation is required at its MacArthur site in Springfield. A copy of that letter was enclosed as an attachment to BCS-003 in Docket No. 01-0377.

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Central Illinois Light Company

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Response to Staff Data Request BCS-101 through BCS-122**Item BCS-104: Describe how the Company monitors the actual on-site investigation and remediation activities.**

Response: Groundwater monitoring was completed in the last quarter of 1999 for Persimmon St. as required by the IEPA in the NFR letter. The last of the readings were received in the first quarter of 2000 and the results were under the criteria levels so no further water monitoring is required. Gas Operations staff was responsible for the successful completion of the necessary work.

The remaining monitoring wells at the Persimmon Street facility were filled and capped May 7, 2001. Gas Operations staff was present and responsible for the successful completion of the necessary work.

Investigation of the Pekin site continued during 2001. Hanson Engineering continued to perform ground water testing to assist in Site Assessment. Gas Operations Staff was responsible for monitoring the successful completion of the necessary work.

Groundwater monitoring continued in 2001 for the MacArthur site. Hanson Engineering continued to perform the testing. Gas Operations Staff was responsible for monitoring the successful completion of the work.

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Response to Staff Data Request BCS-101 through BCS-122

Item BCS-105: This request pertains to the Company's forecasting of MGP environmental clean-up costs for the reconciliation period.

- A. Explain the forecasting methods used by the Company to determine MGP environmental clean-up costs for the reconciliation period.**
- B. Describe how the forecasted cost amounts were determined.**
- C. Include explanations for each instance where the actual costs, by site or account code, deviated from the forecast costs by 10% or more**
- D. Explain how the Company used these cost forecasts for the reconciliation period.**

Response:

- A. An annual budget for both technical costs and legal costs is prepared for a twelve month reconciliation period, January 1 through December 31 during November of the previous year. The technical activity budget for 2001 included anticipated ground water monitoring for the MacArthur Boulevard site as well as anticipated environmental consulting fees for site investigation work at Pekin. The technical costs budgeted also included the anticipated cost of filling and capping the monitoring wells at the Persimmon site. The expected legal fees were also included in the budget. Expected expenses are budgeted on a monthly basis.**
- B. A four-year forecast is also completed based on future investigation or remediation plans.**
- C. The following compares 2001 actual expenditures to forecast:**

<u>MGP Site</u>	<u>2001 Budget</u>	<u>2001 Actual</u>	<u>Variance</u>
MacArthur	\$162,000	\$41,187.83	(\$120,812.17)
Persimmon	\$162,000	\$4,433.90	(\$157,566.10)
1 st and Washington	\$135,000	(\$867.99)	(\$135,867.99)
Pekin	\$256,000	\$39,826.67	(\$216,173.33)
Total	\$715,000	\$84,580.41	(\$630,419.59)

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Response to Staff Data Request BCS-101 through BCS-122

The variances occurred primarily because the actual legal fees for the insurance recovery litigation were under the estimated amounts.

- D. The budget and actual expenditures are reviewed periodically to determine if a change to the rider should be applied. Changes in work scope or task schedules may occur. When that happens, a change to the rider is considered and applied to ensure a close match of expenditures to recovered costs.

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Central Illinois Light Company

ICC Docket No. 02-0167

Response to Staff Data Request BCS-101 through BCS-122

Item BCS-106: Provide a copy of all written procedures for MGP environmental clean-up purchasing and contracting that were in effect during the reconciliation period or that were in effect when past MGP environmental clean-up purchases and contracts were made that extended into the reconciliation period.

Response: The general purchasing procedures are used for applicable MGP environmental clean-up purchasing and contracting. Sections 5 (BCS-106 pages 1-8) are attached as CILCO Attachment 1.

During 1997, Company purchasing cards were made available for certain types of goods and services. Included in attachment #2 is a description of the program.

Prepared by: Mandy Stephenson, Gas Operations Administrator
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Subject: Purchase Order Processing

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A. Bids and Quotations

Whenever possible a reasonable number of competitive bids shall be obtained by direct notice to qualified suppliers. There is no restriction showing preference to suppliers located in the Company's service area; however, all things being equal the Company will utilize products and services from local bidders. All quotations shall be directed to the General Supervisor - Materials Management Section.

Following is a guideline based on a dollar value per purchase order that Materials Management will use to obtain quotes:

- * \$0 - \$1000 Purchasing Agent discretion
- * \$1000 - \$10,000 3 verbal or written quotes
- * \$10,000 - Above 3 written bids/quotations marked confidential

Exceptions to this procedure but not limited to would be sole suppliers, confirming orders, prior bidding within one year, etc.

Quotations, depending on the location of the bidders and the technicality of the bid, will be obtained within 2-4 weeks, after receiving the requisition in Materials Management.

Inquiries with an estimated value of \$10,000 or more will require bids to be sealed, and have "confidential" and the inquiry number marked on the outside of the envelope. Confidential bids will not be allowed to be faxed without approval of the General Supervisor - Materials Management Section.

All bids are to be stamped with the receipt date and time. Confidential bids are to be stamped with the receipt date and time if the envelope fits in machine, otherwise hand stamp receipt date and note time on envelope. This stamp date is to be entered into the Material Management System quote file by the Purchase Order Associate. The Purchase Order Associate, when pulling the inquiries to be processed, will view each inquiry's file in MMS to verify that all bids in the inquiry folder have been entered in MMS as received and with the correct stamp date. Any confidential bid received that does not have an inquiry

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on the outside of the envelope shall be opened to determine which inquiry it belongs with. The person opening the envelope shall initial and date the envelope.

Any changes in the bid due date will be noted in the inquiry folder and all bidders will be informed of this changed date.

All confidential bids for an inquiry will be opened at the same time and all pages containing prices must be initialed by any two employees of the Materials Management Section.

In the case of a confidential late bid(s) being accepted, all bids will stay sealed until the late bid is received. Materials Management will note in the inquiry folder the reason for accepting the late bid(s).

All envelopes containing confidential bids will be retained in the inquiry folders. The General Supervisor of Materials Management must approve the acceptance of any confidential bid received after the bid opening. The General Supervisor will also sign-off on the bid. The only exception to this would be if CILCO requested a revised bid for the purpose of clarifying the bid or correcting an obvious error. If the late bid is not accepted, it will be left sealed and returned to the sender with a letter of explanation. A copy of the return letter and xerox copy of the rejected envelope, showing date and time stamped, will be filed in the inquiry folder.

Quotation/Bid openings will be conducted as follows:

- | | |
|----------------------|--|
| * \$0 - \$9,999 | Receive and open bids - no sign-off required |
| * \$10,000 and above | Confidential bids required - 2 Materials Management employees will sign-off on all pages containing prices upon opening. Internal Audit may replace one of the Materials Management employees. |

The following factors in combination, not necessarily listed in their order of importance, will be considered in reviewing bids and awarding contracts:

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- o Prices
- o Bidders previous record of performance and service
- o Ability of bidder to render satisfactory service in this instance
- o Availability of bidder's representative to call upon and consult with our using departments
- o Quality and conformance to specifications
- o Delivery
- o Exceptions/Substitutions to CILCO Standard Terms & Conditions.

1. Selection of Suppliers

To qualify, a vendor must comply with Federal, State, and local laws; certify their compliance with Executive Order 11246 as amended, and related rules and regulations regarding equal employment opportunity; meet the requirements of CILCO's Equal Employment Opportunity Contractor's Compliance Procedure; and complete a Vendor/Contractor Qualification Form as determined by the General Supervisor - Materials Management Section or the Purchasing Agents.

Vendors selected to participate in competitive bidding for Company requirements of material, supplies, equipment, and service will be made on the basis of past performance, experience, reputation in the field, known competence, compliance with laws, ability to meet specifications, meeting delivery requirements, and evaluation of their Vendor Qualification Form, if applicable. The selection of contractors, consultants, and major equipment supplies will be coordinated between the appropriate Manager of the user department and the Materials Management Section.

Contractors must furnish certificates of insurance indicating that they have adequate insurance coverage, including indemnification as specified in company contracts.

Vendors that have not furnished goods or services for the Company in the past may be required to complete and submit a "Vendor/Contractor Qualification Form" to be evaluated by various departments within the Company

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prior to becoming an approved vendor/contractor. The form will be routed to the appropriate using area for their technical evaluation and to Accounting for their review of the financial records. Based on the comments received, Materials Management will decide on approval. The Vendor/Contractor and using area will be notified of the decision.

Removal from Approved Vendor List may occur due to poor quality in product or workmanship, unwarranted late deliveries, or other deficient performance, consistently late quotations, or unethical practices and conduct. The decision to remove will be made by the Materials Management Section utilizing input from the appropriate using area.

2. Confidentiality

Most transactions relating to Materials Management are of a confidential nature. Under no circumstances will pricing information be provided to vendors. It is considered unethical as well as damaging to the Company's competitive position to allow Company proprietary information about one vendor's quotation to pass to another vendor. Questions from vendors regarding quotations or pricing are to be referred to Materials Management. It is also important that employees be aware of inadvertent acts which could result in release of this type of information. Overheard telephone calls, documents on desks during vendor interviews, and conversations between employees within hearing of vendors in other offices are some examples.

B. Awarding of Contracts and Orders

All orders will be awarded by the General Supervisor - Materials Management Section for materials, supplies, and services in accordance with approved Company policy and procedures. Any deviation from the above procedure because of an emergency or extenuating circumstances shall be approved by the Materials Management Section.

C. Types of Purchase Orders

A PURCHASE ORDER, Form 422-5, (see Appendix B) will be issued for materials, supplies, equipment, and

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services after complying with all of the proper procurement procedures. If after an order has been issued it becomes necessary to change the original order in any way, the user department will initiate another purchase requisition specifying the required changes. Materials Management will issue a change order showing the original order number and the change order number in ascending sequence, e.g., S20000-1, S20000-2, S20000-3, etc.

There are different types of purchase orders that can be issued to assist the Using areas in procuring and paying for materials/services. Following is a list of purchase order types issued by Materials Management:

- o ANNUAL PURCHASE ORDER; will be issued to obtain large volume materials and/or firm pricing for repetitive requirements where the annual consumption or needs can be estimated. These annual orders are issued so the material may be released throughout the year. The Materials Management Section and the using area will decide on the final procedure concerning the release of materials.
- o ANNUAL MAINTENANCE PURCHASE ORDER; will be issued on a yearly basis for maintenance contracts. The using area shall specify a budgeted dollar amount for the year on the purchase requisition. The using area will make field changes as required for this work. If the budgeted dollar amount is exceeded, another requisition is required to raise the dollar amount on the order. For projects over \$10,000, Materials Management should be contacted to determine if competitive bids would be required.
- o FIELD PURCHASE ORDERS (Formerly: Short Form Purchase Orders); are set up to provide the using area with outstanding purchase orders to purchase and pay for a variety of repetitive non-stock items or services, such as, maintenance of equipment, equipment rentals, over the counter purchases of material, automotive supplies, advertising, gasoline purchases from local stations and video production services.

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The using area shall specify a budgeted dollar amount that the field order will be set up for. The budgeted dollar amount should be based on the estimated expenditures over a two (2) year period. Materials Management will issue the order and will not reference a time period on the purchase order. The field purchase order will remain open until the budgeted dollar figure is reached, at which time Materials Management will notify the using area to submit a purchase requisition for the purpose of issuing a new field purchase order.

Billings are to be rendered on a monthly basis. Invoices for these field purchase orders should be mailed to the office or department of origin for approval and then forwarded to Invoicing Accounting.

- o BLANKET ORDERS; are usually set up for a 1-3 year timeframe to cover specific stock and non-stock purchases. Blanket orders are used by Materials Management to establish and control pricing, vendor stocking and deliveries during the time frame specified on the blanket order. Items are ordered using a blanket release as specified by a purchase requisition from the using area. Blanket orders are currently used for stock items, office furniture, transformers, and meters.
- o CONFIRMING PURCHASE ORDER; may be used for emergency or quick response situations where costs can be avoided and there is not adequate time to follow normal order processing procedures. Requests for confirming purchase orders should be made only when the department manager deems it necessary. A memorandum must be prepared and signed by the department manager documenting the details of the emergency or cost avoidance situations for all confirming orders over \$5,000. This memorandum is to be attached to the purchase requisition and routed to Materials Management to become a permanent part of the purchase order file. Confirming orders will be issued in accordance with the following procedures:
 - a. Call Materials Management for a confirming order number.
 - Under \$1000 - Contact a Purchasing Associate
 - Over \$1000 - Contact a Senior Purchasing Agent Or Supervisor - Materials Management Unit

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- b. Advise Materials Management of the details involved and provide the following information: requisition number, vendor name, description of material and/or service being ordered, verbal approval given by, reason for confirming and estimated costs.
- c. After receiving Materials Management approval, the user department will call the supplier, order the material, and give the supplier the confirming order number. If on site labor is required, the user department must contact the Risk Management Section to secure approval relative to insurance and liability requirements.
- d. When calling the supplier, obtain price, delivery and discount terms, and add this information to the purchase requisition. In an extreme emergency when it is not possible to contact Materials Management due to the seriousness of the situation, complete the transaction and then contact Materials Management to complete the procedure.
- e. Immediately after the order is placed, the user department is to initiate a purchase requisition with the required information, including purchase order number, mark it confirming and route to Materials Management for processing.

Any deviation from the above methods must be approved by the General Supervisor - Materials Management Section.

- o CHANGE ORDER; Any changes to a purchase order in regards to quantities, specifications, deletions or additions, and changes in the workscope for service will be conveyed to the vendor with the issuance of a change order. The change order will reference the original purchase order being revised and then will indicate the change(s) being made. Multiple change orders to one purchase order will be numerically sequenced. A change order will be implemented when an approved purchase requisition is issued to Materials Management. The purchase requisition must be approved by the proper authority level as identified in the Corporate Authorization Manual.

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- o PURCHASE ORDER WITH CONTRACTS; An exact copy of the contract will be returned to requisitioner in addition to the copy of the Purchase Order.

CENTRAL ILLINOIS LIGHT COMPANY
MEMORANDUM

TO: All Employees With Purchasing Cards FROM: Gary Boucher *GB*
PHONE: 4716
SUBJECT: Purchasing Card Manual

DATE: March 31, 1998

The CILCO Purchasing Card Manual has recently been revised and placed on CILCO's Intranet. If you have access to the Internet, you can access the Intranet at wwwint.cilco.com. Click on Technical Service, Procurement & Logistics Services, and then Policy and Procedures. At this point you may need to download a copy of the Acrobat Reader program before clicking on the Purchasing Card Program Manual. Should you have any problem accessing the manual through the Intranet, please contact the HelpDesk at 5000. If you don't have access to the Intranet and want a copy of the Purchasing Card Program Manual, please call me at 4716.

As a follow-up to the memo I sent on January 20, 1998, revisions to the CILCO Purchasing Card Manual include:

- . The practice of procuring on-site labor and services is prohibited.
- . Cash advances are limited to \$100 per day.
- . Non-employees are prohibited from obtaining and using CILCO Purchasing Cards.

In general, acceptable usage of CILCO Purchasing Cards includes:

- . Purchase of non-stock goods and materials with a cost of \$2500 or less per transaction.
- . All expenses related to Company travel, including airfare, hotels, rental cars, meals, conference registration fees, and cash advances.

Unacceptable usage for which the CILCO Purchasing Card may not be used includes:

- . On-site labor
- . Stock material
- . Personal items
- . Chemicals or hazardous materials
- . Items with a CILCO co-payment arrangement, e.g. safety glasses and shoes
- . Non-employee usage
- . Donations
- . Office furniture
- . Computer hardware/software
- . Temporary help

Please contact me, the Program Administrator, with any questions or comments.

Central Illinois Light Company

ICC Docket No. 02-0167

Response to Staff Data Request BCS-101 through BCS-122

Item BCS-107: Provide the date when the MGP environmental cleanup purchasing and contracting procedures were most recently changed, identify each procedure that was changed, and explain why each change was made.

Response: Written purchasing and contracting procedures were not changed during 1998. However, in 1998 the Company organized in Business Units that resulted in more decision-making and autonomy by operating personnel. As a result, the program administrator could make decisions about bidding or deciding on qualifications of consultants.

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Central Illinois Light Company
ICC Docket No. 02-0167
Response to Staff Data Request BCS-101 through BCS-122

Item BCS-108: This request pertains to the management evaluations, assessments, and/or reviews of the MGP environmental cleanup purchasing and contracting procedures.

- a. Provide the date of the three most recent general management evaluations, assessments and/or reviews of MGP environmental cleanup purchasing and contracting procedures.
- b. Provide a copy of all reports and/or summaries of these general management evaluations, assessments, and or reviews.
- c. List and explain any changes or modifications made to the purchasing and contracting decision-making process as a result of these general management evaluations, assessments, and/or reviews.

Response: A revision to the general purchasing and contracting procedures used for MGP environmental clean up was completed in 1992 and resulted in procedures attached in Item BCS-106, Attachment 2.

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Central Illinois Light Company

ICC Docket No. 02-0167

Response to Staff Data Request BCS-101 through BCS-122

Item BCS-109: **Explain how purchasing and contracting decisions for MGP environmental cleanup costs were included in the corporate planning and budgeting process during the reconciliation period.**

Response: Refer to Response to Item BCS-105.

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Central Illinois Light Company
ICC Docket No. 02-0167
Response to Staff Data Request BCS-101 through BCS-122

- Item BCS-110:** **This request pertains to the Company's procedures for MGP environmental cleanup purchasing and contracting decisions.**
- a. Identify the management level at which purchasing and contracting decisions for MGP environmental cleanup costs were made during the reconciliation period.**
 - b. If different procedures were applied at progressively higher cost amounts, describe in detail the procedures for each of the cost amounts.**

Response:

- A. Purchasing and contracting decisions for MGP costs, other than legal fees, were made by the Gas Operations Administrator responsible for administration of CILCO's coal tar program, either solely or with consultation or approval of others.
- B. Purchase requisitions for goods or services for the cleanup costs required the approval of the equivalent of the Director – Environmental Service and Compliance. That position could authorize a contract up to \$500,000. The equivalent of a Vice-presidential signature was required for contracts or purchase requisitions exceeding \$500,000. The project engineer or project administrator is a non-supervisory position which is authorized to make purchase commitments via a corporate procurement card for items less than \$2500. (See Attachment 2-Corporate Approval Policy)

When the company was reorganized in 1999 into business units, increased decision making autonomy was given to operations personnel. While the procedures regarding purchasing were not formally changed, decisions regarding purchasing and contracting are the responsibility of the personnel in the operating area.

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Central Illinois Light Company POLICY

Corporate
Approval Policy

-2-

Employees to whom authority is delegated have responsibility and accountability for transactions, which includes determining that an appropriate investigation has been made or that appropriate procedures exist to provide reasonable assurance as to the propriety of the transaction.

There are certain matters for which either the general authority does not allow for efficient operations or excellent customer service or for which the dollar values are not evident. Authority for these matters shall be delegated by Vice Presidents through a written delegation at the department level. These matters include purchase commitments for natural gas, sales agreements for electric energy, tax matters, investment and borrowings of funds, commodity team purchases, and health care provider matters, including agreements and payments.

Notwithstanding the general delegation discussed above, management personnel are to comply with corporate policies and procedures for the proper documentation and processing of a transaction. For example, employees are required to submit requisitions for materials, supplies, equipment, and services as directed by the Company's Purchasing Policy.

Personnel must have specific authority by job title, job description, or other method to have any authority for certain matters handled at a corporate, administrative level. (See Procedure)

Authority delegated is permissive and not mandatory. Any officer or cost center head may restrict or limit the authority of any employee in his/her organization. These restrictions and limitations are to be current, in writing, and posted within the organization. Any restrictions made will be furnished to Purchasing, the Controller, and Accounts Payable.

Managers may limit the general authority delegated but may not increase or otherwise alter authority through the issuance of department procedures. For example, managers may not delegate authority for executing contracts exceeding \$50,000 to a supervisor except in cases of absence.

With the exception of purchases made by procurement cards, no employee is authorized to approve or originate a transaction which could be expected to accrue to the benefit of the employee without approval by a higher level of authority.

It is expected that employees to whom authority is delegated will, before taking action pursuant to such authority, discuss with higher supervision any unusual or especially important matters.

The following matters are the responsibility of certain Committees chartered by the Company. Any authority for these matters is governed by the charters or policies of these Committees.

Oversight of investment of pension fund assets-Pension Fund Investment Committee
Oversight of gas supply financial instruments-Risk Management Committee
Oversight of investment of employee savings plan assets-Employee Savings Plan Committee
Donations of funds or property-Corporate Contribution Committee

AUTHORITY TO EXECUTE CORPORATE INSTRUMENTS AND APPROVE OTHER COMPANY TRANSACTIONS

General

Federal and State laws and the Company's By-Laws require the Board to maintain control over the following matters, among others:

- a) Fill Board vacancies and nominate candidates for Board membership; appoint committees;
- b) Elect executive officers and set their compensation;
- c) Amend By-laws;
- d) Declare dividends; set record dates;
- e) Approve sales of mortgaged property;
- f) Approve securities issuances and redemptions;
- g) Retain independent auditors;
- h) Set Directors' fees;
- i) Designate registered agent and principal office;
- j) Recommend actions for shareholder consideration;
- k) Approve capital expenditures budgets;
- l) Establish and amend employee benefit plans;
- m) Designate depositories.

In the performance of their duties it is necessary and desirable for officers of the Company to delegate to others authority, or right to act.

Except as provided by law, Board resolution or the Company's By-laws, the Board of Directors has delegated to the President and to the Chief Executive Officer the general charge and direction of the Company with full authority to carry on its business.

The President wishes authority to be exercised by the individuals who have responsibility to accomplish the related tasks and objectives. Consequently, the President and Vice Presidents delegate general authority to perform acts, execute documents, approve transactions necessary for performance of tasks and accomplishment of objectives to the management personnel of the Company. This general delegation is not intended to supersede or conflict with instruments whose execution are governed by legal or regulatory requirements. The Company will not maintain a complete listing of all transactions and documents that require approval. However, delegation of authority is a prerogative of the President who may, from time to time, prescribe that certain transactions be presented to him or to a Vice President. (see Procedure for Transactions requiring Officer approval).

The positions shown below have general authority for matters and transactions such as contracts, billing adjustments, purchase requisitions up to the following dollar limitations:

Customer Service Associates	up to \$200 for customer account transactions only
Eligible employees	up to \$2,500 for procurement cards
Team leaders, Customer Service Specialists, and	
Corporate Sales personnel	up to \$2,500
Supervisors and cost center heads	up to \$50,000
Managers/Directors	up to \$500,000
Vice Presidents	up to \$5,000,000

Central Illinois Light Company

PROCEDURES

Corporate
Approval Policy

AUTHORITY TO EXECUTE CORPORATE INSTRUMENTS AND APPROVE OTHER COMPANY TRANSACTIONS

Transactions Requiring Officer Approval:

Matters requiring Vice President authorization for execution:

- Gas Service Agreements with Gas Pipeline
- Settlement Agreements with Gas Pipelines
- Firm Gas Supply Agreements
- Fuel supply contracts exceeding \$1.5 million

Transactions restricted to cost centers:

	<u>Cost Center</u>
Purchase of intrastate and interstate power	Energy Supply Team
Purchase of natural gas	Energy Supply Team
Purchase of fuel supplies for use at generating stations	Fuel Management
Purchase/lease and sale of real estate	Real Estate
Purchase of legal services	Legal
Purchase/lease and disposal of motor vehicles, special tools and work equipment	Transportation Services
Purchase orders for requisitioned materials and contract services	Materials Management
Sale of materials, vehicles and investment recovery items	Materials Management
Inventory adjustments < \$50,000 > \$50,000	Materials Management Accounting

The following transactions must be approved by the appropriate cost center to ensure Company uniformity:

<u>Transaction</u>	<u>Cost Center</u>
Purchase/lease of furniture and office equipment	Business Services Support
Purchase/lease of computer hardware/software and telecommunications equipment	Computers & Communications Systems
Purchase/lease of audio/visual, video and photographic equipment	Corporate Communications

Central Illinois Light Company

ICC Docket No. 02-0167

Response to Staff Data Request BCS-101 through BCS-122

- Item BCS-111:** This request pertains to the Company's notification to potential suppliers of goods and services of the Company's intent to purchase or contract goods and services for the environmental cleanup of MGP sites.
- a. Identify all procedures used by the Company to ensure that every reasonable effort was made to notify all available suppliers of the goods and services required for the environmental cleanup of MGP sites before new purchases were made, or before any new contracts were awarded to a supplier during the reconciliation period.
 - b. Describe all related actions taken by the Company before any new purchases were made or before any new contracts were awarded during the reconciliation period.
 - c. Describe the instances when only one supplier was notified, and explain how costs were thus minimized.
 - d. Identify all instances when the lowest bid for goods and services required for the environmental cleanup of MGP sites was rejected, and explain the reasons for the rejection.

- Response:**
- A. In 1999, CILCO issued a Request for Proposal for the Pekin site pursuant to Competitive bidding procedure previously discussed. CILCO sent the RFP to nine environmental engineering firms. These firms were composed of existing suppliers to CILCO and other firms that were approved to receive the RFP. The new firms became known through contact at MGP seminars or through referral by CILCO's law firm handling the insurance recovery suit. No new contracts were issued in 2000. In 2001, only 1 contract was awarded and that was for the filling and capping of the monitoring wells at the Persimmon Street site. Due to the small dollar amount involved, two firms were asked to submit bids. The firms were already existing suppliers to CILCO. The firm submitting the lowest bid was awarded the contract.
 - B. Before awarding the contract for the Pekin Phase II, CILCO evaluated the qualifications, site approach and cost structure of each of the firms, using pre-determined criteria.

After comparing the results of the above, the team recommended to Purchasing and a CILCO vice-president that the site investigation phase for the Pekin site be awarded to KES, of Springfield, IL. Unsuccessful firms who made oral presentations were contacted about the award for 1999 and 2000 was for site investigation only. Because the site is expected to be acquired by the City of Pekin and the extent of remedial activity not determined, CILCO made no commitment beyond the site investigation phase to KES. (KES is now Hanson Engineering.) The site investigation phase at the Pekin site continued into 2001. Hanson Engineering continued the site investigation activities.

The contract for filling and capping the monitoring wells at the Persimmon Street site was awarded to Harding ESE after they submitted the lowest bid for the work. As stated in the answer above, two firms were contacted to submit bids to perform this work.

CILCO continued to utilize Hanson Engineering for continuing work for the MacArthur site. Costs were minimized because hourly fees were comparable and the prior site experience reduced the effort required.

- D. There were no instances when the lowest bid for goods and services was rejected.

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Central Illinois Light Company

ICC Docket No. 02-0167

Response to Staff Data Request BCS-101 through BCS-122

Item BCS-112: **Explain how the Company evaluated each contract renegotiation position that was proffered by a contracted supplier of the goods and services required for the environmental cleanup of MGP sites during the reconciliation period.**

Response: No actual renegotiation positions were proffered by a contracted supplier during the reconciliation period.

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ICC Docket No. 02-0167

Response to Staff Data Request BCS-101 through BCS-122

Item BCS-113: **Explain how the company formulated each contract renegotiation position that it offered to contracted supplier of the goods and services required for the environmental cleanup of MGP sites during the reconciliation period.**

Response: No renegotiation of contracts was performed in 2001.

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Item BCS-114

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Central Illinois Light Company

ICC Docket No. 02-0167

Response to Staff Data Request BCS-101 through BCS-122

- Item BCS-114:** **This request pertains to the Company's monitoring of MGP environmental cleanup purchases and contracts.**
- a. Explain how the Company monitored MGP environmental cleanup purchases and contracts during the reconciliation period.**
 - b. Document all changes made as a result of these monitoring efforts.**

Response: A. The assigned program administrator who reviews the work performs monitoring of purchases and contracts, checks the invoices to services rendered or material received, and enters a receipt, which will release the invoice for payment.

B. There were no changes made.

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Item BCS-115

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Central Illinois Light Company

ICC Docket No. 02-0167

Response to Staff Data Request BCS-101 through BCS-122

Item BCS-115: **Identify and explain any factors that limited the Company's available purchasing and contracting options for the goods and services required for the environmental cleanup of MGP sites during the reconciliation period.**

Response: During the reconciliation period ~~no~~, no factors limited the available options for purchasing and contracting.

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Central Illinois Light Company

ICC Docket No. 02-0167

Response to Staff Data Request BCS-101 through BCS-122

Item BCS-116: Identify and explain all efforts that the Company made during the reconciliation period to take advantage of favorable market conditions to renegotiate its contracts or to purchase from alternative market sources the goods and services required for the environmental clean-up of MGP sites. If no contract renegotiations were attempted explain why not.

Response: No renegotiations of contracts were appropriate for 2001. The largest expenditure for the site assessment at Pekin. The contract for the Pekin assessment was issued after a competitive bidding process.

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Central Illinois Light Company**ICC Docket No. 02-0167****Response to Staff Data Request BCS-101 through BCS-122**

- Item BCS-117:** This request pertains to any occurrences when the Company made purchases or entered into contracts using criteria other than minimizing the cost of environmental clean-up of MGP sites.
- A.** List any occurrences during the reconciliation period when the Company made purchases or entered into contracts using criteria other than minimizing the cost of the environmental clean-up of MGP sites.
 - B.** For each occurrence, explain the circumstances, quantify the extra costs incurred, and explain what, if anything can be done to prevent extra costs of this type from being incurred in the future.
 - C.** Provide all documentation pertaining to each occurrence.

Response: No occurrences of this kind happened during 2001.

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Central Illinois Light Company

ICC Docket No. 02-0167

Response to Staff Data Request BCS-101 through BCS-122

- Item BCS-118:** **This request pertains to the Company's procedures to minimize MGP environmental clean-up costs.**
- A.** **Explain with specificity the procedures used by the company to minimize MGP environmental clean-up costs.**
- B.** **Give a detailed description of these procedures as they related to all purchasing and contracting decisions for MGP environmental clean-up costs made during the reconciliation.**
- Response:** Refer to Responses to ITEMS BCS-106, BCS-114 and BCS-116. In addition, the Tiered Approach to Clean-up Objectives allowed CILCO to specify the level of clean-up. During 2001, we approached clean-ups for sites consistent with commercial/industrial use. This action resulted in clean-up costs lower than the objective of clean-up for a residential use.
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Central Illinois Light Company

ICC Docket No. 02-0167

Response to Staff Data Request BCS-101 through BCS-122

- Item BCS-119:** **This request pertains to the Company's after-the-fact evaluations of its purchasing and contracting decisions for MGP environmental clean-up costs.**
- A. How often are after-the-fact evaluations conducted by the Company to review its purchasing and contracting decisions for MGP environmental clean-up costs?**
- B. Provide a copy of all documents pertaining to these evaluations.**
- C. Identify any decisions, recommendations, policy changes, and new procedures that have resulted from these evaluations.**
- D. Provide the date when the three most recent after-the-fact evaluations were conducted and provide copies of those reports.**
- E. List and explain any changes or modifications made to the purchasing and contracting decision-making process as a result of the after-the-fact evaluations.**
- Response:** The Company does not regularly make after-the-fact evaluations of purchasing and contracting decisions for MGP environmental clean-up costs. We evaluate past methods and other practices when starting the investigation of a new site.
- Prepared by:** Mandy Stephenson, Gas Operations Administrator
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Central Illinois Light Company

ICC Docket No. 02-0167

Response to Staff Data Request BCS-101 through BCS-122

Item BCS-120: This request pertains to the Company's audits of its purchasing and contracting decisions for MGP environmental clean-up costs.

- A. How often are the MGP environmental clean-up purchasing and contracting functions audited by management using internal or external auditors?**
- B. Provide the dates when the three most recent audits were conducted and provide copies of those audit reports.**
- C. List and explain any changes or modifications made to the purchasing and contracting decision-making process as a result of these audits.**

Response: A. Internal Audit does not have a set schedule for auditing MGP environmental clean-up purchasing and contracting functions.

B. The last internal audit on a MGP project was performed and a report issued on July 10, 1992. That report can be viewed at the Company's offices.

C. Changes resulting from audits are noted in the "Response" sections of the audit.

In addition, evaluation of major purchases or projects are performed on various purchase orders in connection with the Company's annual audit.

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Item BCS-121

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Central Illinois Light Company

ICC Docket No. 02-0167

Response to Staff Data Request BCS-101 through BCS-122

Item BCS-121: **Explain the procedures used to verify the quality of the items and services purchased or contracted for regarding the environmental clean-up of MGP sites.**

Response: Refer to Response to Item-BCS-122.

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Central Illinois Light Company

ICC Docket No. 02-0167

Response to Staff Data Request BCS-101 through BCS-122

- Item BCS-122:** This request pertains to the policies and procedures for the quality control of items and services purchased or contracted for regarding the environmental clean-up of MGP sites.
- A. What are the Company's policies and procedures for dealing with items and services purchased or contracted for regarding the environmental clean-up of MGP sites which failed to meet quality and contract specifications?**
 - B. List each occurrence when items and services purchased or contracted for regarding the environmental clean-up of MGP sites failed to meet quality and contract specifications.**
 - C. Provide documentation of any related actions taken by the Company during the reconciliation period. If no documentation can be provided, explain why not.**

Response: A. Refer to CILCO Attachment 3 Section 8 of CILCO's general purchasing manual, pages 1 and 2

B. No occurrences for 2001.

C. No occurrences for 2001.

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Subject: Returning Materials to Suppliers

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All materials shipped by Central Illinois Light Company must be accompanied by a properly prepared Shipping Memo, form 586 (see Appendix B).

A. Return for Repair

The user department shall forward to Materials Management a requisition for the return and repair of the required material. Include a request for shipping instructions on this requisition.

If conditions apply to the repair of the material, they should be noted on the requisition. For example, repair cost not to exceed 50% of new equipment or request to contact requisitioner to approve repair cost before proceeding with repair.

A purchase order will be issued to cover the return and repair of material. Materials Management will obtain shipping instructions and will notify the user department of the instructions.

User department will contact their storeroom to return material per instructions using Shipping Memo Form 586. The pink copy of the shipping memo should be returned to Materials Management.

B. Return for Credit Procedure

Materials Management should be notified when it is necessary to return non-stock material for credit, to a supplier for any reason. The notification will be Form 2696-0. To return stock material, reference the Materials Management Procedures Manual, Subject No. 3-17.

A description of the problem (e.g. ordered in error, received incorrect material, received overshipment or damaged goods, etc.) should be noted on the request to return for credit as well as a notice to re-order the required material.

Subject: Returning Materials to Suppliers

Page No.: 8-2

A request for shipping instructions to return for credit the unwanted material, and state what material is required, will be issued to the vendor.

Once shipping instructions are received by Materials Management, they will be forwarded to the user department using a Standard Memo format.

User department will contact their storeroom to return material per instructions using Shipping Memo Form 586. The pink copy of the shipping memo should be returned to Materials Management.